

Frequently Asked Questions

1. *What if my county doesn't require a business license?*

You can go to your local Circuit Court and file a "Fictitious Name Certificate."

2. *Do I pay sales tax on materials I buy for jobs I perform?*

Yes. A dealer selling building materials must charge you sales tax. Factor the sales tax into estimates you give to customers.

3. *Do I need to charge and collect sales tax on my labor?*

No. Labor is generally taxable, but not if it goes into the repair, renovation, or installation of tangible personal property (land, houses, sheds, garages, etc.). List labor charges separately on your invoice.

4. *How am I taxed as a sole proprietor?*

You file an IRS Form 1040 with a Schedule C (Profit or Loss from a Business). You will pay income tax and both the employer and employee portion of Social Security and Medicare taxes on your profits. Your Federal 1040 information flows into your Virginia tax return. You should register to pay quarterly taxes to both the IRS and the Commonwealth of Virginia.



Virginia Department of Business Assistance

Virginia Business Information Center
P.O. Box 446
Richmond, Virginia 23218-0446

Toll Free 1 (866) 248-8814
Richmond Metro 371-0438
Fax (804) 371-2142
Email vbic@dba.state.va.us

www.dba.state.va.us

Basic Business Guide

For Contractors

Department of
Professional & Occupational Regulation
and
Department of Business Assistance's
Virginia Business Information Center

HOW TO REGISTER YOUR BUSINESS

For each of these steps, you can obtain further information from the **Virginia Business Information Center**, toll-free at 1-866-248-8814 or 371-0438 in Metro Richmond.



Obtaining your contractor's license from the Board of Contractors is an important first step. Now you have a business to register and run!

1. *Decide on your business entity type.*

If you are going to be a corporation, Limited Liability Corporation (LLC) or Partnership, you need to register with the State Corporation Commission (SCC). If you will be a Sole Proprietor, in business for yourself, registration with the SCC is not required.

2. *Obtain a local business license.*

In Virginia, business licenses are issued by the city or county of your business address. Typically, the Commissioner of the Revenue or Director of Finance issues the license. Some counties do not require a business license.

3. *Obtain a Federal Employer Identification Number.*

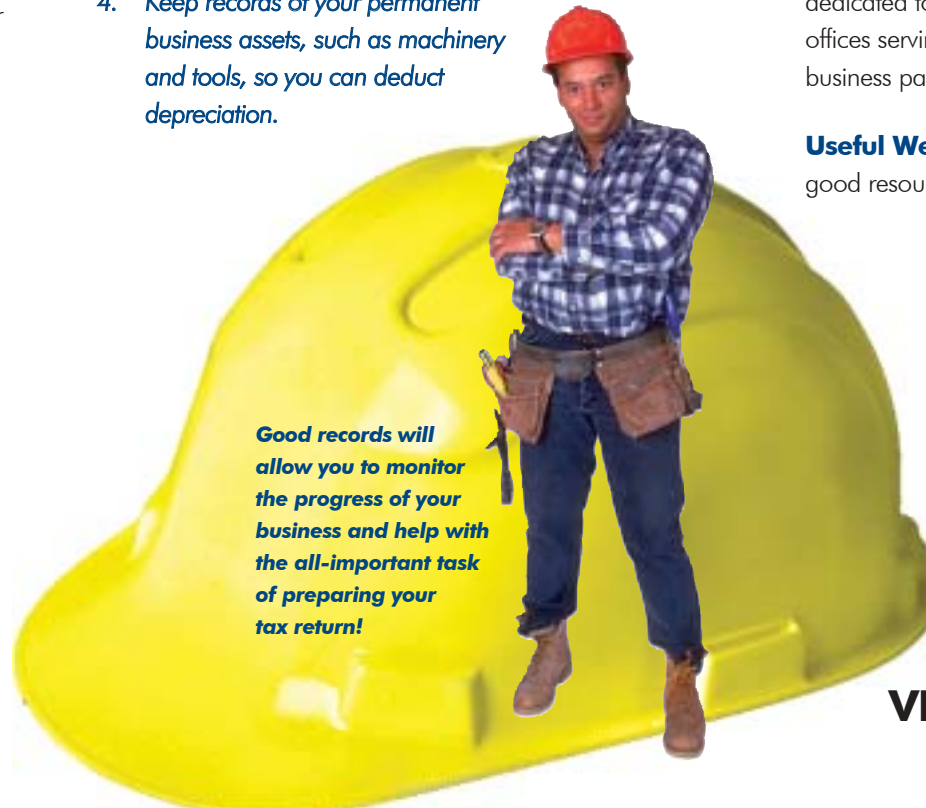
If you will be a corporation or will hire employees, you will need to get a Federal Employer Identification Number (EIN) and register with the VA Department of Taxation.

RECORDKEEPING

You do not need an expensive system to track your revenues and expenses. You do need to carefully retain receipts, invoices, cancelled checks, and mileage records in one place. Review and organize your records at least monthly. It will be difficult to remember what a January receipt was for if you wait until December!

Quick Tips:

1. *Keep your personal and business funds separate-get a business checking account.*
2. *Issue receipts when you are paid and maintain a copy.*
3. *Keep receipts for purchases, credit card slips, cash register receipts, and bank statements.*
4. *Keep records of your permanent business assets, such as machinery and tools, so you can deduct depreciation.*



Good records will allow you to monitor the progress of your business and help with the all-important task of preparing your tax return!

WHERE TO GET HELP

IRS Publication 583, "Starting a Business and Keeping Records" is an easy-to-read guide to recordkeeping. Call 1-800-829-3676 to order a copy.

Small Business Development Centers are located throughout Virginia. They offer free one-on-one business counseling and low-cost classes on important small business topics. Call the Virginia Business Information Center for the location nearest you.

The Virginia Board for Contractors offers guidance for complying with the law, including sample contracts and low-cost classes on building a successful contracting career and business. Call (804) 367-8511.

Better Business Bureaus are private associations dedicated to ethical business practices. There are four offices serving Virginia. You will find the BBB in the white business pages of the phone book.

Useful Web Sites, if you use the Internet, these are good resources:

www.dba.state.va.us/
www.dpor.virginia.gov
www.virginiabdc.org/
www.tax.state.va.us/
www.state.va.us/scc/
www.business.gov/
www.irs.gov

**Call Toll-Free
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or Email
VBIC@dba.state.va.us**